



NATH SEEDS®

**Nath Bio-Genes (I) Ltd.**

(CIN L01110MH1993PLC072842)

17<sup>th</sup> August 2021

The Manager-Listing  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai-400001

The Manager-Listing  
National Stock Exchange of India Ltd.,  
Exchange Plaza, Bandra-Kurla Complex  
Bandra (E)  
Mumbai-400051

BSE Code-537291

NSE Code-NATHBIOGEN

Subject- Transcript of Conference Call with the Investors/Analysts.

Dear Sir/Madam,

The Company had organized a conference call with the Investors/Analysts on Wednesday 11<sup>th</sup> August, 2021 post declaration of its unaudited financial results for the quarter ended 30<sup>th</sup> June 2021. A copy of transcript of conference call held with Investors/Analysts is enclosed herewith and the same being uploaded on Company's website.

We request you to please take the above on record

Thanking You

For Nath Bio-Genes (India) Limited

Devinder Khurana  
Chief Financial Officer



“Nath Bio-Genes Limited  
Q1 FY2022 Earnings Conference Call”

August 11, 2021



**ANALYST: MS. NIHARIKA - GO INDIA ADVISORS**

**MANAGEMENT: MR. MR. DEVINDER KHURANA – CHIEF FINANCIAL  
OFFICER - NATH BIO-GENES LIMITED  
DR. V N KULKARNI – NATH BIO-GENES LIMITED**

**Moderator:** Good day, ladies and gentlemen and a very warm welcome to the Nath Bio-Genes Limited Q1 FY2022 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Niharika from Go India Advisors. Thank you and over to you Madam!

**Niharika:** Thank you, Ali. Good morning everyone and welcome to the Nath Bio-Genes earnings call to discuss the Q1 FY2022 results. We have on the call with us today, Mr. Devinder Khurana – CFO and Dr. V N Kulkarni. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. I will now hand over to Mr. Devinder Khurana for his opening remarks.

**Devinder Khurana:** Good morning, Ladies and gentlemen and thank you for joining us today. I hope you would have seen our earnings presentation, which was released yesterday. You will remember our strategic shift towards de-risking our business model and diversifying our business model, which is now currently working. In the first quarter Q1 FY2022, the non-cotton and non-paddy portfolio has contributed to around 22% of our revenue. Cotton and paddy volumes have grown at 8.5% and 8% respectively. Other crops have grown by a much higher 27.5%. I am pleased to say that we have surpassed FY2021 cotton sales in the first quarter only. Cotton sale provision has appropriately been made, which is likely to be reduced in this quarter.

As you heard from our Managing Director in the Q4 FY2021 call, we are augmenting our product line constantly and new products have also been launched in our PNS segment that is plant nutrient supplement. We are gearing up for the upcoming rabi season, vegetable sales has lined up mustard and wheat had been stopped. This is always a lovely product and we have added two more products in the same segment. While the second wave did not impact much at a company level, but kharif sowing was certainly hampered due to the second wave of COVID-19. Company took extra efforts to normalize processing and logistics. The cotton seed industry continues to face a major headwind, a record high of 60 to 70 lakhs of illegal cotton seed have been sold in the season.

Industry lobbies are demanding strict action from government in this area as illegal cotton seeds have negative environmental consequences. We are also working with various government bodies and regulators to overcome this. I will now briefly talk about the

financial performance. Our top line has grown by about 11% and EBITDA by 10% on Y-o-Y basis. PAT has also increased by about 9%. In terms of working capital the inventory levels have reduced per se to the sales, debtors have increased per se to the sales and are being realized. This is regular for the first quarter year-after-year. Before I open the floor for questions, I would like to discuss the FY2022 outlook. We expect to deliver a top line growth of around 18% to 20% in FY2022. We will maintain our EBITDA, PAT, and contribution margins in the same range. With this, I will now open the floor for questions. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Preethi Singh from Value Investments. Please go ahead.

**Preethi Singh:** Thank you for the opportunity. Sir, I have a couple of questions from my end, could you shed some light on the working capital situation like the inventory has improved, but when you foresee a positive cash?

**Devinder Khurana:** Madam, I am, Khurana, of course. Let me handle this. Our working capital like it was also clarifying in the last two or three conference calls, the working capital inventory always goes down in the first quarter because of sales and debtors will go up because of the sales, which they get realized before H1, so as a result we have been getting positive cash flow last year, year before that also and this year also we are sure of positive cash flows, the funds situation like I clarified last time also becomes definitely more liquid once the H1 closes.

**Preethi Singh:** Thank you and my other question is, what is your opinion on the upcoming rabi season?

**Devinder Khurana:** What happens is in rabi season we go for field crops like mustard, some part of cotton, some part of paddy, then mostly the sales come from vegetables and our nutrient supplement segment, vegetable vertical is performing reasonably well, we expect around 30% growth in these both segments this year as compared to last year, so we are geared up for rabi, although that will start after about three months, we are still closing the H1 that is the kharif season returns and realizations, but we are confident about rabi also, no problems in that.

**Preethi Singh:** Thank you, Sir. That is all from my side for now. Thank you.

**Moderator:** Thank you. The next question is from the line of Nitin Awasthi from InCred Research. Please go ahead.

**Nitin Awasthi:** Sir, a couple of questions from my side, firstly would like to understand what has been the growth in the cotton segment for the industry, can you give a rough percentage because you have grown by 8.5%, which seems to be a very good number given that the infiltration by illegal seeds is very high this time around?

**Devinder Khurana:** As far as cotton growth in industry is concerned, I would request Dr. Kulkarni to enlighten you on that, he is the chief.

**Kulkarni:** In fact the cotton growth of Nath Bio-Genes industry because at some places the cotton planting has been reduced and the illegal cotton has been encroached into legal sector, some of the major companies, which got it because of the ceiling in cotton, but we were not into it because our area of operation and product segments are at different place, so the major companies have got really big hit, but we are not into that because just we are not into that place where that illegal has encroached, so our growth is line with industry, but when compared to some major company which are not grown up.

**Nitin Awasthi:** Sir, second question is on the accounting front, although there has been a revenue growth of 11%, the gross profit could not keep up to that rate because of the gross profit margin reduction, if you could just comment on why is that happening in spite of the mix changing towards non-cotton, which would be more marginal accretive?

**Devinder Khurana:** See when I say non-cotton, we always meant like this and that reiterated at least for three to four more conference call that we are stabilizing in cotton, we are not expecting exponential growth in cotton, now when we talking of non-cotton and non-paddy products, the field crops are growing, they come with a reasonable margin, the major margins come from vegetable and PNS, which comes in H2, so when you compare overall GP margin of the whole year that will be better than last year, but if you compare in this quarter definitely because we are talking of a reasonable margin products are not high margin products that is why there is a slight fall in the GP margin, but it is natural and that is regular.

**Nitin Awasthi:** I am comparing with Q1 of last year?

**Devinder Khurana:** Yes, I agree with you, see what happens is that certain costs have gone up, certain production areas has enhanced so that takes away a little more than certain than old inventory has been used which might have come at a higher cost, but overall we are always confident and I keep maintaining that the GP margin at the year end will always be 50 to 40 plus.

**Nitin Awasthi:** Okay, Sir, noted because it seems to be a big hit because that was not the case your PAT would have been substantially higher?

**Devinder Khurana:** Yes, I know but it is what it is.

**Nitin Awasthi:** Okay noted, Sir. Thank you and that is all from my side.

**Moderator:** Thank you. The next question is from the line of P. H. Chheda an individual investor. Please go ahead.

**P. H. Chheda:** I just like to get your comments on the fact that you have loans and advances about a 150 Crores on the balance sheet, could you just let us know what are these loans and advances?

**Devinder Khurana:** See what happened is, there was a time when seed industry used to purchase on delayed credit and sell with advances, but the trend got reversed two years back, today the seed industry has to give advances to ensure that the production takes place on time every time, now these advances are given to a string of growers and farmers who are taking the production behalf of the company, today no company can ensure that production and quality production to that matter without giving advances to people who grow cotton, paddy and all the crops for that matter, so these advances will grow if we want to grow the top line in the coming years, we need to take production this year for next year's sales, so advances go to ensure that the production takes place for the company. These advances will be realized against as a production taken back from the grower than the farmers and they will be adjusted against that so giving advances is normal that protects business for the future.

**P. H. Chheda:** So, in some senses we should look upon these as a core component of working capital?

**Devinder Khurana:** It is definitely a part of working capital.

**P. H. Chheda:** That helps a lot, thank you. Second question you know most of your end market, the crop markets are not really growing that fast if I look at rice or cotton annual growth rates of 3% to 4% around about as good as it get, in a market like this how is it that you grow I mean what is it that you have to do in order to gain market share because the market itself has limited growth?

**Devinder Khurana:** Let me partially answer this and I will request Dr. Kulkarni to let you know more on that, you see basically what happens is you see in market is that the only product calls if you have a good product which gives a good realization or good yield to the farmer catering or

countering the disease effects then invariably it is like I-phone is growing in a still declining mobile market you know, but anyway more to that from Dr. Kulkarni please.

**Kulkarni:** In the last two years we separated product development department earlier which was associated with R&D only so that what has happened our introduction of product after right evaluation at 8 stages of crop evaluation, we are leasing now meaning that the kind of production we are leasing going to realize more value and volume in the coming days so as Khurana ji said that is product which makes it, so whatever products we are having we are now putting in the market in fact some traditional product which are not even going to decline because of their high added value in the farming community and the society especially in the rice and even few cotton hybrids are there, so this is a function of that and it is going to improve in a period of time.

**P. H. Chheda:** So basically new product introduction is the key to keeping save?

**Kulkarni:** Yes.

**P. H. Chheda:** Sir, do we have a framework where you know we say that this is a cotton seed, these are its five closest competitors, these are the four or five parameters on which we benchmark to our competition and you know then you will know where you stand with regards to people who are competing for that market is that kind of framework used?

**Kulkarni:** Yes, there is all India coordinated cotton improvement project conducts the trial of all GT cotton hybrid and they will try and perform based on the yield events observed across the locations, these India agriculture research trials are conducted by the government people and I am very happy to note that past two years we have been either first or second or third rank in the trials that mean to say we are in the top position, but these hybrids to enter market, to enter the production chain after got evaluation it takes three years to enter into that means if 2020, the result has been declared 2021, we are going to multiply the seed again test market it, again volume building process happens, if we take out the all India coordinator project reports we are a very safe and nation wise NathBio in from the past two years has been substantially very high compared to any other competitor in India.

**P. H. Chheda:** Thank you, I will back in the queue. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Abhilash N an individual investor. Please go ahead.

- Abhilash N:** Good morning to one and all. Few questions from my side, you have said you have made a provision of around 20% to 25%, is it 20% or 25%?
- Devinder Khurana:** See, when I say 20% to 25% means like that this is certain crops we will take 20%, certain I will take 22.5%, certain crops we will take 25.
- Abhilash N:** Okay, all crops included, we take cotton how much any probable figure?
- Devinder Khurana:** Around 22% to 23%.
- Abhilash N:** And one more question, why the production costs have gone up significantly earlier comparison from 50 Crores, it is now 100 Crores, is there any particular trends?
- Devinder Khurana:** Your question is not clear?
- Abhilash N:** Production cost, it has gone up from 50 Crores, which was earlier now this quarter you have shown around 101 Crores, product expenses?
- Devinder Khurana:** Production expenses?
- Abhilash N:** Yes.
- Devinder Khurana:** Yes, of course, see what happens, there are two things happening, one is production is non-provisioned, it is taken in full.
- Abhilash N:** Sorry?
- Devinder Khurana:** Production has taken place for growth of volume for this year, right, last year the sales returns are more, so that goods which were put into production last year have also moved in this year, so the production technically goes up that is why somebody raised an issue that the gross margin is reduced in this year you know in the quarter sorry, again I would like to request all the analysts, my request is that Q1 is a quarter in which we have to make provisions, which are based on certain thought processes, which changes by H1 closing, by the time we reach September end all this will look normal.
- Abhilash N:** Will there be any chance like that reduction, the seed return comes less than what you have expected?
- Devinder Khurana:** It is always there; it could be more also.

**Abhilash N:** And my last question coming to the PNS segment, you have said it is growing but, actual my last year and the previous year comparison there is no such growth actually 29 Crores to 30 Crores, PNS?

**Devinder Khurana:** PNS is a product with the potential, it needs special efforts, the vertical was created last year, people have been recruited only to sell PNS and nothing else and the effort that is expected on this will give us the growth and please understand that the margin for this product is quite high so it is in our interest also that if we want to improve the gross margin we sell PNS, so special effort is being laid on PNS and vegetable as compared to cotton and paddy.

**Abhilash N:** My last suggestion as we are having our portfolio diversified into all the different segments, but the thing every year happening is that some other segment is killing the growth of some other segment, see that it is not happening, it grows in a consistent basis, because it is eating up somebody is growth, if paddy is growing cotton is getting down, if cotton is growing then PNS is not growing then finally the results become the same growth it should be an enhanced growth when compared to the larger player because of our small base.

**Devinder Khurana:** I appreciate that line, what we are contemplating is that we continue to grow cotton and paddy at a reasonable rate so that we do not emphasize extra efforts on these established crops then we lay more emphasis on vegetable and PNS and other crops, the question is only of laying effort, now what happens is, in my presentation we have also shared that cotton and paddy, which in this quarter was around 73% or 78% of the total sales revenue, by the end of the year it goes down to around 60% or 55%, our target is to bring this to around 50% to 55% so that better margin crops give out better bottom line. We are working towards that.

**Abhilash N:** Thank you.

**Moderator:** Thank you. The next question is from the line of Anil Sharma from AB Capital. Please go ahead.

**Anil Sharma:** Sir, thanks for the opportunity. Sir, first in terms of the illegal cotton seeds, I want to check what is the solution that we are now looking from the government because just making it illegal is actually not working, what is the solution that we are looking?

**Devinder Khurana:** Dr. Kulkarni is going to answer that.

- Kulkarni:** There were two national seeds association, which are clubbed together and combined now to make it officially meet the herbicide tolerant quarter, so there are efforts going at the government level obviously it is going on so that officially these cottons are released so the players which are on organized sector will also have an opportunity to market that and to that we have already license with them, we have also converted our online in herbicide, the moment it gets released we are also into the market next day so in the sense when we are unable to prevent illegal cotton then we have to make it official, so that everybody will come into the picture probably you might be knowing that the same thing happened when the PC cotton. PC cotton before it get released the illegal PC cotton sales was very, very high and then the government realized that when they immediately released the PC cotton then the illegal PC cotton sales drastically came down because farmers believe in the approved brands, so the same thing might repeat in this also, there are a lot of effort, which are going on even our Managing Director is also putting a lot of efforts on that and probably by next year we might see some good news for all the organized sector, thank you.
- Anil Sharma:** Thanks for that, Sir. Sir, another thing on the cotton sales about the company so we had grown at about 8%, but our full year guidance is about 20% so keeping in mind that most of the sales happen largely in Q1 only, so if you can just brief to me how does this number match up?
- Devinder Khurana:** You see what happened is, in certain area the goods have also gone by end of June or in the first week of July which may not have been captured in this quarter, secondly I have provision for 22% to 23% of sales on cotton which last year was only 11%, so we are hoping that and being conservative the next quarter, H1 rather will give us the true picture, the cotton sales are likely to even go further from this point that is what my personal belief is, let us wait and watch.
- Anil Sharma:** So, you are quite confident on the 20%?
- Devinder Khurana:** People are always conservative know, not confident.
- Anil Sharma:** And lastly one thing on your export plans, what is the situation in Philippines and if you can share some light on the export plans?
- Devinder Khurana:** Dr. Kulkarni is also heading our exports line, so he will let you know all of this, please.
- Kulkarni:** We have had good deals with Philippines, but not the cotton crop, it was lease of GMO brinjal and also golden rice, we are also lobbying there to get it released and get an import permits for shipping there, in addition to that we were expecting already in Sudan our

cotton release there, however, the governments are working slow there, there are two types of releases that are going to happen, we are expecting, one meeting is already scheduled in Sudan and other is going to be scheduled. By next year, we will be ready for there to ship. Myanmar we have already good placement, however, you know the situation of Myanmar we are unable to get the total dynamics of the market there just because movement of people into areas have been restricted because of the coup there. Also we are very happy that last month we have established an agreement in Central Asia Company based at Uzbekistan and this will take another three years to bring revenues with the kind of experiment, signed the product development that we do.

**Anil Sharma:** Thanks for the opportunity, again and all the best.

**Moderator:** Thank you. The next question is from the line of Anurag Jain, a shareholder. Please go ahead.

**Anurag Jain:** Good morning, Sir. My question is related to the main markets of Nath Bio, and what are the market conditions like which are your most important states that you operate in terms of your revenue contribution and in these states what were the growth drivers because your growth in cotton segment is very good and in these particular states how was the quarter affected by the erratic monsoon, was the monsoon good or bad and what was the impact of second wave of COVID in this particular different markets of yours, thank you?

**Devinder Khurana:** Let me tell you the market strategy that we normally use, I call it a territorial basket strategy, we have almost about 250 odd territories and in each territory has a territory manager and I always say that Nath Bio-Gene is the pan India pan product company, and when you say where we are in India, I would say we are everywhere in India, we have 16 branches in 16 states where handling the entire operations. We have 250 territories those territories are taken care of by our territory manager who has a basket of products which are chosen based on the agro-climatic conditions of that particular territory, so we are everywhere, advantage even if there is vagaries of monsoon, even if there are certain things that go wrong somewhere other places are able to help us to build the top line, so since I am everywhere something sell somewhere, disadvantage my inventory levels get stressed and my debtor level get stressed, but if these two gets stressed then I am able to manage it my top line is always protected and my bottom line is always protected, now my choice is either I put my goods only in certain areas, we are a very good working capital company and make the top line and bottom line growth reduced or we spread ourselves like butter on your bread and then we take everywhere and we do, so marketing strategy basically is to be present in all the places where we sell, we sell cotton in Gujarat, we sell paddy in north east, Patna, Bihar, UP and all that, we sell mustard in north, we sell wheat in north and we sell

vegetables all over the country, we sell PNS everywhere in the country, so that is our strategy, it has been there for the last three years now and we continued to stay with that.

**Anurag Jain:** Alright, Sir, then I would ask that what was the impact of second wave of COVID on an aggregate level in all the 250 territories and what was the impact of monsoons on an aggregate level in these 250 territories?

**Devinder Khurana:** Like I said monsoon 250 territories equally not affect, somewhere more, somewhere less, so where the monsoon has be arrant, the sales will go down where the monsoon has been good the sale will continue to meet our targets so as a result monsoon get even because of our presence everywhere.

**Anurag Jain:** At the aggregate level there is no impact of monsoon there?

**Devinder Khurana:** Hardly any.

**Anurag Jain:** Alright.

**Devinder Khurana:** As far as COVID is concerned, COVID has been everywhere and nowhere, the threat of COVID is that people do not venture out, the government does not allow them to venture out, we are unable to go to the field, luckily second wave has not been as detrimental in rural areas as in the urban areas, COVID like I put in my presentation, COVID affected by processing, transportation, logistics, but not production and technically definitely not sales to that effect, if my transport is not available and I am unable to send the goods the COVID effects, but we have been able to mitigate, it is not that we have not been affected by COVID, but we have not been affected in a major way.

**Anurag Jain:** Thank you, Sir, this was my question.

**Moderator:** Thank you. The next question is from the line of Preeti Singh from Valley Investments. Please go ahead.

**Preeti Singh:** Thank you for taking my question again, so my question is about PNS segment, what kind of products have been launched and what is the market size and what revenue are we looking at?

**Kulkarni:** This products launch made from soil amendments as you know that the government stresses a lot on soil health card and soil other kind of thing and there is growing awareness from the farmer side for nitrogen phosphorus potassium fertilizers and other factors which are going

to add value to the farming community, so we have released the two soil amendments which are into a shiny ball kind of thing, which is very attractive and we are hoping a very good sales of it and marketing is going on, soil amendment market is going on.

**Devinder Khurana:** Let me add a little to that, we had made a statement that we want to grow the PNS segment by adding more products, our major product has been which is a foliar spray, foliar spray means it is sprayed on the leaves of the plant and it takes nutrition through the process of photosynthesis now the other two products are ground product, they will be added to the root and they will give nutrition right from the root level upwards, this gives us a variation in the PNS segment, we are also contemplating trying out more products, we want this segment to grow at whatever percentages and have a good bottom line because it gives us good bottom line, the margins.

**Preeti Singh:** Sir, just a followup, the new products will have the same margin?

**Devinder Khurana:** No, madam, they will be lesser.

**Preeti Singh:** And my next question is about the buyback, so what is the status on the buyback currently?

**Devinder Khurana:** We have already taken up case over the bankers and we have said that we want to do it, maybe next meeting is going to happen this month or may be next month beginning and then they will take up to their committee and it is approved so it is in process, dividend has declared will be taken care of once AGM is completed and AGM has been announced August 27, 2021.

**Preeti Singh:** Got it. Thank you, Sir, that is all from my side.

**Moderator:** Thank you. That was the last question in queue. I now hand the conference over to Mr. Khurana for closing comments.

**Devinder Khurana:** Thank you very much, ladies and gentlemen. At the outset, I am always impressed by the interest that was taken by the investor and the analytical people in the country in our company. We want to be known as a diversified pan product pan India Company. Currently, there maybe globally also because a lot of efforts are being taken in Uzbekistan and other areas, we are also putting their efforts in the African segments in Sudan and of course in any case we have been exporting to Myanmar, Egypt, and all there, Pakistan has taken a back seat because of the relationship maybe somewhere down the line that will also improve, so we continue to try and maintain our guidance. We are stabilizing, keeping working capital in view because if I stretch it further everybody gets panicky, but I would

like to tell you that everything currently is on path, in thought process with what we have been deciding and working for. Thank you very much.

**Moderator:**

Thank you. Ladies and gentlemen, on behalf of Go-India Advisors, that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.